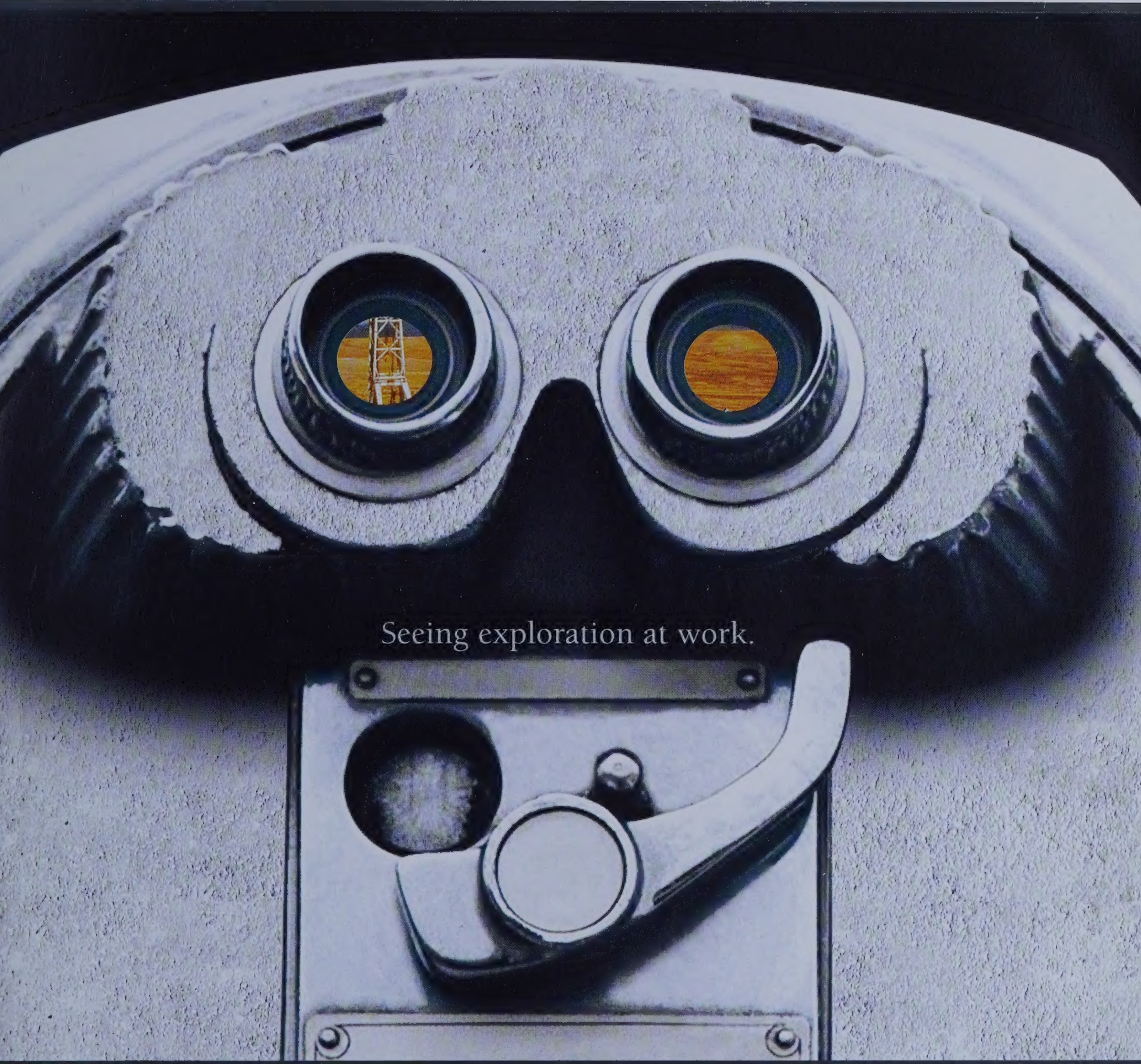


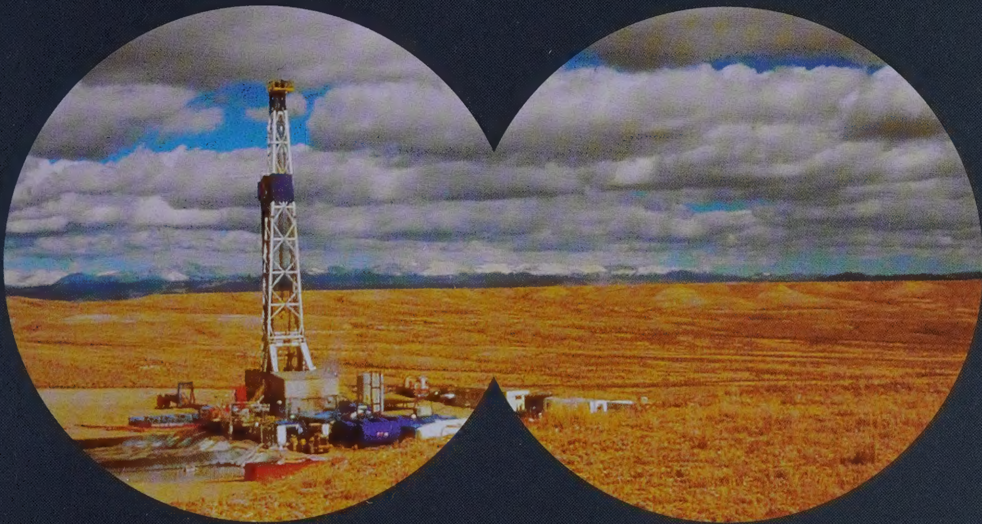
2003 ANNUAL REPORT

FIND ENERGY ltd.

Contents

Annual General Meeting

The Annual General Meeting of Shareholders will be held at 1:30 p.m. on Tuesday, June 8, 2004 at the Bow Valley Conference Centre, Suite 300, 205 - 5th Avenue SW.



We view the future in our opportunity base of high-impact natural gas exploration plays in west-central Alberta.

Find Energy Ltd. is a Calgary based emerging producer focused on high-impact natural gas exploration in the W5 region of Alberta. Find's growth program is supported by a low-risk production base in southeast Alberta and Saskatchewan.

Find was created on September 15, 2003 through the reverse takeover of Lexxor Energy Inc. by privately owned Sine Energy Ltd. Sine's management assumed control of Find.

By December 2003 Find's production averaged 2,081 boe per day, of which 37 percent was natural gas. Cash flow for the month was $914,000. Find has an active exploration and development program now underway and planned through year-end. In 2004 Find plans to drill a total of 19.5 net wells.

Find is a publicly traded company listed on the Toronto Stock Exchange (FE-T). At December 31, 2003 there were 25.9 million common shares issued and outstanding.

Seeing Strategies at Work

High-impact exploration creates value

How:

Find believes new value comes from the drill bit. Most of Find's six major exploration prospects are targeting the deeper, higher-impact reservoirs of Alberta's W5 region, where any single well can materially increase production and reserves.

Acquired base of low-risk production and cash flow

How:

The reverse takeover of Lexxor in September 2003 provided 2,100 boe per day of mature, low-risk production generating monthly cash flow of approximately $0.750 million. This foundation provides capital for Find's exploration of higher-impact opportunities.

Prospect-driven land acquisition

How:

Undeveloped land is key to drill bit driven growth. A disciplined, prospect-driven land strategy is crucial amid today's competitive land situation. Find's land team assembles positions in areas where Find's earth sciences team has identified exploration opportunities.

Risk-mitigation through partnered drilling

How:

Find builds its land positions at high working interest, then mitigates exploration risks by partnering with drilling funds for higher-risk wells. This also reduces capital needs, enabling Find to pursue additional prospects, increasing the number of new discoveries.

President's Letter to Shareholders

Find Energy Ltd. is part of a new class of small companies focused on creating value through the drill bit in the maturing Western Canada Sedimentary Basin. We are filling a niche in going after unproven plays with a risk/reward profile where exploration success has very high impact on our relative growth. In proving new plays and discovering new reserves, we are also creating feedstock for the royalty trusts, which are operating more and more of the Basin's mature, conventional production.

The new generation of emerging and junior exploration companies is being founded by oilmen with an established track record of success. Today we are tasked with exploiting the Basin in areas of challenging geology and generally lower reservoir quality. To take one indicator from many, nearly 200,000 wells were drilled in the Basin in the past 10 years.

There are still lots of hydrocarbons awaiting discovery in our Basin. But we are obliged to operate in tougher geological and geographical environments, under more intense competition. We must push the technical and operating envelopes in order to achieve drilling success, prove up new reserves and, above all, do so in a way that creates value for our shareholders.

How do you do this? For drilling success, you must recruit and motivate the best technical people. For establishing a land base in a high-price, competitive market, you need creative deal-makers who never stop prospecting. And to bring in economically challenging projects to tight time lines and budgets, you need logistically oriented, highly disciplined operations people. I believe Find has all the ingredients for success in this tough environment.

Q What are the benefits of the Lexxor acquisition in September 2003?

A Find intends to create value for shareholders through high-impact exploration. Funding our exploration program requires a reliable base of cash flow. Lexxor's properties produce steady, low-risk volumes, generating the cash flow we need to drive our growth. Lexxor also provided Find's entry to the public capital markets.

The Management Team of Find Energy Ltd.

From left to right: Nick Wemyss, VP, Exploration; Jeff Jongmans, VP, Finance & CFO; Bill Davis, President & CEO; Doug Barry, VP, Engineering & Operations

In just the past eight months we have made new discoveries on four separate prospects. These prospects were generated through Find's internally developed technical strategy combined with our particular approach to land. These early successes have formed an exciting inventory that we are actively drilling in 2004. We have high hopes to add significant production and reserves this year. Find's growth program will be funded largely out of cash flow from our low-risk production base. Meanwhile we are continuing to prospect and assemble new play areas.

The genesis of Find Energy Ltd.

Find was launched on September 15, 2003 through the reverse takeover of Lexxor Energy Inc. by Sine Energy Ltd. Sine was a private company formed in early 2002 by the individuals, including the undersigned, who had built Search Energy. Financed with $15 million by ARC Energy Venture Fund 3, Sine assembled exploration plays in the higher-impact WS region, building production to 250 boe per day through the drill bit.

The $52.8 million transaction was financed through $35 million in debt and $17.8 million in new equity. Former Lexxor shareholders today are 50 percent of Find's shareholder base. From their perspective, the new company has a more solvent balance sheet after raising $11.1 million in equity and $4.1 million from exercise of warrants which occured in October 2003 and a growth-oriented inventory that is undeniably more impactful. For Sine shareholders, the acquisition was financially accretive.

The September transaction married a company that was prospect-rich but low in production and cash flow with a company of the opposite characteristics. Lexxor's 2,100 boe in daily volumes, generated at mostly mature properties in southeast Alberta and Saskatchewan, provide Find with a low-risk production base spinning out a strong cash flow stream. This will finance exploration and development of the high-impact, growth-driving prospects established by Sine. Going forward, strategic dispositions of maturing Lexxor assets will provide additional capital for exploration of higher-impact opportunities, upgrading the overall quality of Find's asset portfolio as new plays come on production.

Find's growth strategy

At Find, we believe value is fundamentally created through the drill bit. Our strategy is to grow through exploration drilling, maintaining base production levels through the full range of development, exploitation and optimization activities. We may augment growth through opportunistic acquisitions, but only if these add cash flow or offer major undeveloped lands where Find can generate new exploration plays.

We believe it will be our geological and geophysical work that will distinguish us from competitors and determine our success. Find has assembled a capable exploration group led by Nick Wemyss, vice president of exploration. Mr. Wemyss' team includes three other geologists and a geophysicist. Find also has a full-time drilling and completions manager who is fully involved through the prospecting process.

Find has a very specific geological approach of seeking stratigraphic prospects overlying regional sub-crops. This approach works hand-in-hand with our land strategy to generate plays that may be widely separated geographically but have strong conceptual and technical commonalities.

Alberta's principal under-explored gas-bearing reservoirs are the tight sands, which are abundant in numerous formations. Find is primarily targeting deeper natural gas opportunities in the tight sands. Unlike oil, natural gas compresses with depth. A given reservoir lying at twice the depth of the same reservoir elsewhere holds many times the reserves potential. By drilling deeper, a single successful well can add meaningful production and reserves.

Land is the lifeblood of any exploration company, and Find's land strategy is integral to our growth plan. Our land purchases are prospect-driven rather than vice-versa. We seek our favoured sub-crop edges with overlying stratigraphic opportunities, then assemble the required lands. Find takes this approach partly because large land positions are becoming rare in our Basin, and partly because with rising land prices an indiscriminate approach could quickly encumber an emerging company. Also, high-impact exploration requires somewhat less land than shallow resource-type plays.

Often Find gains an initial position through a farm-in. Several of our farm-ins have formed the nucleus of

growing plays. Farm-ins can create a platform to generate significant activity that capitalizes on initial exploration success, including lower-risk follow-on programs. We are proud of the land position, totalling 148,134 net undeveloped acres at year-end 2003, that we've established amid a very competitive industry.

Find is operating nearly all its production and assembles most of its plays at high working interests. But risk-mitigation is an important component of our strategy. We reduce risks through promoted partnerships with drilling funds. These funds pay a significant share of exploration drilling costs in return for a working interest share of production and reserves. As well as addressing technical risks, this sharply reduces our capital needs, which enables Find to pursue numerous prospects at once, multiplying the probability of discoveries.

Success through the drill bit

Through 2003 and into early 2004 Find assembled plays and made discoveries at three W5 prospects: Kaybob, Pembina West and Swan Hills. At Kaybob, Find had excellent drilling results on a land position built to nine sections by year-end. Five new wells all encountered Gething gas, flowing at rates up to 3 mmcf per day. At Pembina West, a toehold of land led to a partnered discovery well in December that encountered both targeted gas zones plus oil, and has blossomed into a 15-section play. At Swan Hills, a 100 percent Sine prospect based on seismic led to a shallow gas discovery in Q1 2004. Find's land position at Swan Hills is now 17 sections. All told, Find's recent drill bit successes have added a combined 3 mmcf per day in production capacity (with additional production behind pipe) and have generated significant follow-on opportunities.

Concurrently, Find continues to develop new plays. Land acquired at Bigstone was drilled in March 2004. At Hazlet in southwest Saskatchewan, a two-section Roseray oil pool acquired through Lexxor has shown potential for new development oil drilling, and provided the entry to participate in the region's emerging Milk River shallow gas play. The first two Milk River wells have been drilled, and Find's land position has been built to 31 sections.

2004 capital program

Find's short corporate and production history and the fast pace of change mean our 2003 financial results are not the whole story. December 2003 creates a more relevant base-line: production averaged 2,081 boe per day, approximately 37 percent of which was natural gas, and Find generated $0.914 million of cash flow.

In 2004 Find will focus on proving up, extending and developing its recent discoveries, as well as pursuing new leads. Drill bits will be turning at nearly every Find property. Our capital program is budgeted at $20 million, which will fund a planned 19.5 net wells. We have high hopes for significant growth in production and reserves.

Kaybob offers strong follow-on potential, including down-spacing to two wells per section on the long-life Gething pool, plus exploration of three additional gas zones. Following gas testing, our Pembina West discovery well should come on production for oil in April 2004, while the gas zone should be tied in following construction of a new, high-pressure pipeline. At least two further wells are planned targeting all four prospective zones at Pembina West. At Bigstone to the northwest of Kaybob, we have seven sections of 100 percent lands and two sections with 75 percent working interest. We have drilled a well that has been cased as a natural gas producer.

We will also work the former Lexxor lands. In southwest Saskatchewan, our first Roseray horizontal oil well was drilled in December 2003, it's success will trigger additional horizontal oil wells. Milk River gas exploration will accelerate. In southeast Alberta and southeast Saskatchewan we will conduct modest oil and gas drilling plus optimization to reduce unit costs and extend pool life, maximizing production and cash flow.

Find's 2004 program is based on assumptions of Cdn$7.07 per mcf of natural gas at AECO, US$34.25 per barrel of WTI crude oil and an exchange rate of US$0.75 to Cdn$1. We are aiming for average production of 2,800-3,400 boe per day, of which approximately 50 percent would be natural gas. Find's 2004 program will be funded through a mix of internal cash flow, disposition of mature assets and possibly issuance of new equity. Any single major success could materially alter our production rate, capital requirements, reserves and cash flow.

Two-thousand-four should be a big year for Find. What Find is doing, in effect, is creating a value-adding solution for the current state of the Western Canada Sedimentary Basin. We've accumulated a tremendous inventory of high-impact prospects. We have a strong financial position. An excellent team has coalesced, including important new members whose contributions are already making themselves evident. Find today has a combination of senior experienced people and enthusiastic young professionals. My thanks go to each member of the Find team, to my fellow members of the Board of Directors and to every shareholder.

On behalf of the Board of Directors,

William T. Davis
President and Chief Executive Officer
April 1, 2004

Q With hundreds of start-ups available for investment, including dozens of emerging oil and natural gas companies, why should I choose Find?

A Potential investors should be attracted to Find by: our proven management team, our rich inventory of drilling prospects, our successes in the field to date – which include natural gas discoveries at several different plays – our positive cash flow within three months of launch, and our carefully developed geological approach.

Review of Exploration and Operations

Overview and strategy

Find's formation through a reverse takeover of Lexxor Energy Inc. by Sine Energy Ltd. in September 2003 created an exploration focused company with a strong base of low-risk production generating reliable cash flow for reinvestment into higher-impact exploration. Find's overall objective is to create value through the drill bit, primarily through higher-impact exploration in the W5 region of Alberta.

Going into 2004 Find was producing 2,100 boe per day, of which 34 percent was natural gas. For 2004 Find has a $20 million capital program including a planned 19.5 net wells. Find is targeting average production of 2,800-3,400 boe per day.

Find's growth strategy is based on the following key principles:

Resource niche – Find is targeting overlooked or bypassed reservoirs; exploration niches containing an abundance of resource-in-place, particularly of natural gas. Targeted reservoirs remain under-explored because of their technical challenges. The tight sands and complex geology of these reservoirs had previously made them unviable economically. Today's stronger gas prices plus the suite of current technologies has improved success rates and economic returns. Find is an early adopter of this approach, creating a window of opportunity.

Geology – Find is focusing on stratigraphic traps overlying regional sub-crops. This geology can be mapped regionally across several townships. It holds both gas and oil in several pay zones, increasing the chances of success as well as the potential for multi-well, multi-year plays at declining risk levels. The majority of Find's activity to date conforms to this model, creating technical and conceptual similarity over large areas. This approach also has application at Find's acquired properties in the W4 region.

Land acquisition – Growth through the drill bit requires an extensive base of prospective undeveloped lands. Find's land strategy is complementary to its resource and geological focuses. Land acquisition follows play prospecting, avoiding needless capital expenditures and "stale" inventory. Such focus is also necessary amid Alberta's intense industry competition for land. Find's land purchases are supported by farm-ins on acreage held by others. At year-end 2003 Find had undeveloped lands totalling 148,134 net acres at an average working interest of 53 percent. We also have approximately 6,000 net acres under farm-in agreements, the majority at Pembina West and Kaybob.

High-impact exploration West 5, Alberta

Find's primary focus and strongest growth prospects are high-impact exploratory plays in the deeper, complex geology of Alberta's W5 region. Find is targeting overlooked, under-drilled play types, primarily tighter sands in the middle tier of the "resource triangle" (see page 10, top). At Q1 2004 Find had five high-impact W5 exploration plays underway: Kaybob, Pembina West, Swan Hills, Bigstone and Willesden Green. Four have yielded discoveries to date. Nearly 20 new wells are planned for 2004. Find continues actively prospecting for new plays.

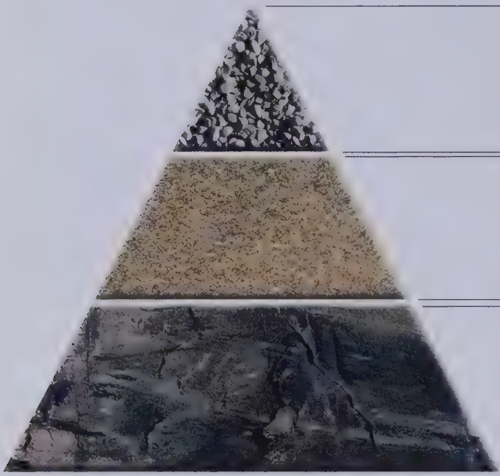
Low-risk production and cash flow West 4-West 3, Alberta/Saskatchewan

Find's higher-impact activities are underpinned by low-risk production of shallow gas, Mannville and Mississippian light and medium-gravity crude oil. Find's objective going forward is to maintain base production through optimization and infill drilling at low capital cost, minimizing risk and maximizing cash flow for reinvestment in W5 growth prospects. In addition, Find has generated three potential growth plays in this region. Two are Roseray oil targets, the third is the emerging regional Milk River shallow gas play, for which Find has assembled an extensive base of undeveloped lands.

Acquisitions and dispositions

The $52.8 million acquisition, creating Find in September 2003, furnished low-risk production of 2,100 boe per day. It generates reliable cash flow for redeployment into higher-impact exploration. Find's growth plan is drill bit focused, not acquisitions-based. Find will conduct opportunistic acquisitions of companies or properties that generate new, high-impact play areas. Concurrently Find will dispose of mature, low-upside properties to generate capital for high-impact exploration and to incrementally upgrade the Company's overall asset portfolio quality.

West 5: High-Impact Exploration



How West 5 fits into the resource triangle:

Alberta's prolific, historical reserves in high-quality, shallow through deep reservoirs are economic as low as $1/mcf. Most of this resource has been discovered and the majority produced.

A significant resource-in-place lies in more technically demanding and costly reservoirs, mainly shallow through deep tight sands. This resource was overlooked or bypassed in past decades due to low prices. Today's sustained high prices are drawing increasing industry interest.

Voluminous resources of deep, very tight gas, certain forms of sour gas, shale gas and shallow coalbed methane are present in western Canada. Development awaits sustained, very high natural gas prices.

Find's focus

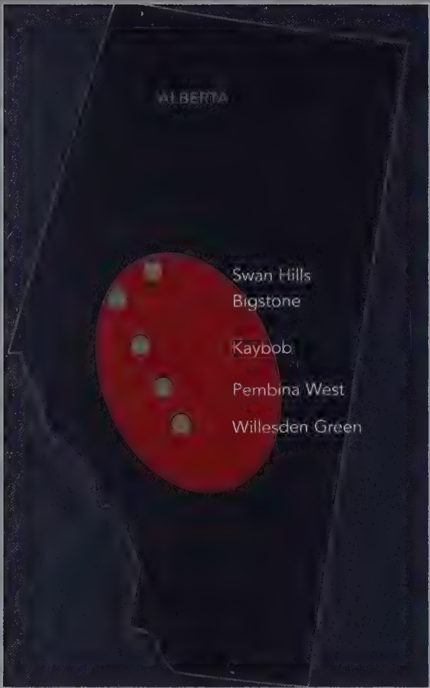
Find's high-impact W5 plays lie in the middle tier of the resource triangle. This tier offers huge exploration and development opportunities, with extensive well control from previous-era drilling into other zones.

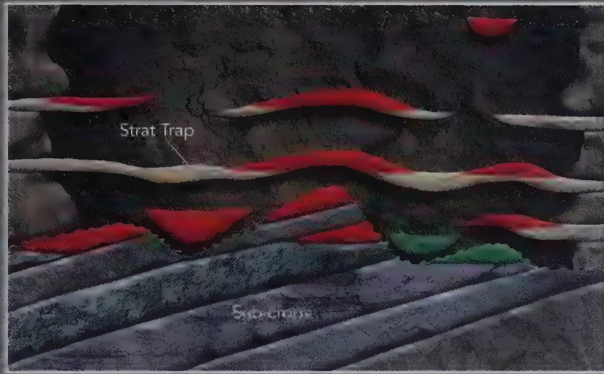
Managing Risk in West 5

Area of Risk	Production & Cash Flow	Capital	Drilling & Completions
Risk Reduction	Acquisitions create low-risk production base generating steady cash flow.	Promoted drilling fund partnerships reduce capital needs and increase number of drillable prospects. Divesting mature properties raises capital for higher-impact projects.	Well control identifies bypassed pay, 3-D seismic defines horizontal and vertical well locations. Frac stimulation unlocks tight sands.

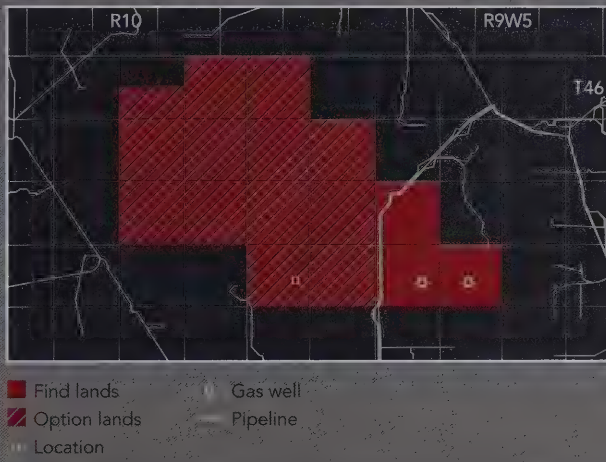
Find reduces exploration risks by partnering high-risk wells. Promoted drilling fund partners commit up to 70 percent of exploration costs to earn typically 35 percent working interest. A further advantage over industry partners is that drilling funds are not competitors, and make reserves established together available for acquisition by Find. Reducing capital requirements enables Find to pursue a larger number of plays on a given budget, increasing successful discoveries. As of Q1 2004 Find had partnered on 10 wells.

Main West 5 Play Areas – Alberta's W5 region is Find's primary growth driver. It offers the sought after mix of geological characteristics plus higher well productivity and larger, longer-life pools than the shallow plays of the eastern prairies. Substantial reserves can be discovered through single wells on plays as small as 1-2 sections. Such plays remain high-impact even when partnered. Find generates prospects using sub-surface mapping, area well control and 2-D seismic complemented by 3-D seismic. Find has developed high-impact plays at Kaybob, Pembina West, Swan Hills, Willesden Green and Bigstone, four of which have yielded discoveries to date.





Topography on rock layers is created by flexing forces and erosion. "Sub-crop traps" accumulate oil and gas at the updip limits of these porous rocks. Later deposition of sand reservoirs is greatly influenced by this topography; they may drape over structural highs or fill in the erosional channels, forming oil and gas pools called "strat traps". These play styles are repeated throughout Find's portfolio.



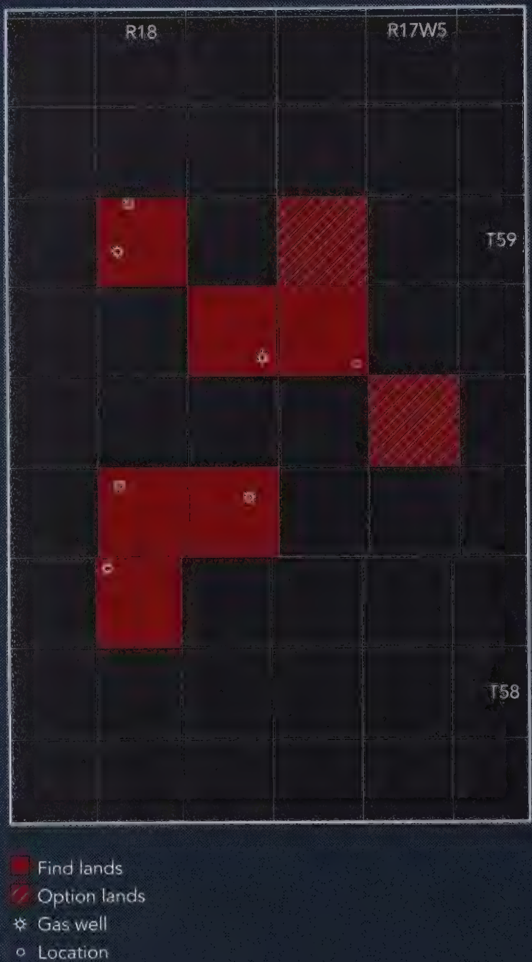
Pembina West, Alberta

This major exploration play began as a one-section Crown purchase in July 2003 and, thanks to aggressive land prospecting, was built to 15½ sections by Q1 2004. This multi zone prospect has potential in the Cardium, Rock Creek, Ostracod and Nordegg formations and is a good example of the strat over sub-crop relationship sought by Find.

The Rock Creek is a thick, gas-bearing sub-crop at 2,200 metres typical depth. Variable reservoir quality makes it a good candidate for horizontal drilling. The Ostracod, at 2,100 metres, acts as a gas trap over the sub-crop. Either zone can produce at 1 mmcf per day, yielding 1-2 bcf of reserves per well. Both zones are sweet and liquids-bearing. This play area also holds potential in the deeper Nordegg and shallower Cardium for oil and gas.

Find's first well at Pembina West was drilled in December 2003, encountering natural gas in Ostracod and Rock Creek plus oil in the Nordegg. The well was production-tested in January, with rates remaining confidential at time of writing. After re-testing the oil is to be placed on pump by the end of Q1 2004. Find's discovery well is to be tied in for gas following construction of a new, high-pressure gas pipeline before year-end.

Find has committed to drilling a minimum of two firm wells in 2004, with Find retaining from 23 - 75 percent working interest. Subsequent drilling will target all four prospective zones. The region has extensive infrastructure, including a mix of high- and low-pressure pipelines. Some additional Crown lands are also available. Success in 2004 could generate a multiple-well play for 2005.



Kaybob, Alberta

Target: Sweet gas plus liquids from Gething tight sands at 2,200 metres average depth; secondary targets in shallower Notikewin, Bluesky and Falher zones

Net production, Q1 2004: 2 mmcf per day

Undeveloped land, year-end 2003: 2,240 net acres

Average working interest on producing and undeveloped lands: 74 percent

Infrastructure: widely available pipelines

2003

- Farmed-in on three sections
- Built land area to eight sections
- Acquired 2-D seismic
- Drilled five wells, acquired one well, all successful for deep gas

2004

- Recomplete existing cased well with bypass pay
- Drill one well on new, three-section farm-in
- If successful, drill up to five further wells
- Test existing Gething wells for uphole zones

Kaybob, Alberta

Lands in this region appear almost fully held by competitors, but in spring 2003 Find obtained a toehold in this highly prospective area through a small farm-in. Additional land purchases and farm-ins expanded Find's position to eight sections by year-end, with an average working interest of 60 percent. Find's main target is Gething gas. Gething potential at Kaybob was identified from logs of older wells that bypassed this zone.

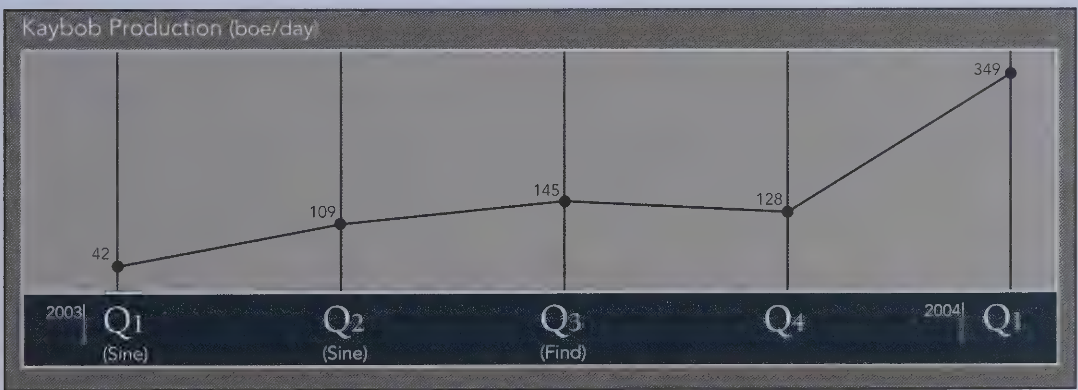
Before year-end 2003 Find drilled five new wells and purchased one existing well, encountering gas in every well. The widely present Gething is a high-porosity, low-permeability tighter sand averaging 2,200 metres depth. Successful wells produce from 200 mcf to 3 mmcf per day of sweet gas, with some liquids content. Following a steep first-year decline, Gething wells level out to a steady rate of production typically lasting more than 10 years and sometimes up to 20 years.

Our intimate reservoir understanding at Kaybob has identified an economic play and is helping us develop new play areas on-trend. Find intends to drill multiple wells, which will pose ever-lower technical risk as the Company's experience mounts. The Gething is suitable for down-spacing to two wells per section, creating a second round of production adds at lower technical risk and reduced capital cost.

The infrastructure situation in this mixed winter and summer-access area is very good. The mature producing region contains extensive low-pressure pipelines, enabling Find to tie-in production without investing in compression.

In 2004 Find purchased a cased well with bypassed pay in the Bluesky. It was successfully completed and is being tied in for a net 1 mmcf per day. Find is currently drilling one new well on a recent three-section farm-in. If successful this could trigger up to three additional wells. Find is again targeting the Gething but is also interested in testing the potential from three shallower zones, the Notikewin, Bluesky and Falher, which are present in several of Find's 2003 wells.

Find will consider a more technological approach to producing in this area and other areas, including a major fracture stimulation program or horizontal drilling as an alternative to vertical down-spacing.



Other West 5 Prospects

By Q1 2004 Find was working three additional high-impact prospects in the W5 area: Willesden Green, Bigstone and Swan Hills. All involve regional strat and sub-crop plays with multiple targets.

At Bigstone Find hopes to replicate the Kaybob play, with seven sections of 100 percent working interest lands and two sections of 75 percent working interest targeting the Gething plus three other zones. Bigstone lies east of the Grizzly Gething gas field, which includes wells producing 2-10 mmcf per day.

Find drilled a potential gas producer at Bigstone in Q1 2004. The well was partnered to reduce cost and risk. Find has purchased and re-processed 2-D and 3-D seismic data and identified further drilling opportunities. This mixed-access region includes good infrastructure and additional available land.

At Swan Hills, Find has accumulated a 17-section, 60-100 percent working interest land base targeting stratigraphic Mannville sands overlying a Banff sub-crop. The first well drilled in Q1 2004 yielded a gas discovery. This winter access play, 10 km from the nearest pipeline, needs to demonstrate a critical reserves threshold to justify a gathering system. Find has obtained a drilling partner and will purchase and interpret 400 km of 2-D seismic to define additional drilling locations.

At Willesden Green a high-risk, high-impact partnered well will be spud in April 2004 to test several zones, the deepest of which is a very productive formation that has yielded prolific wells down-dip of Find's 100 percent working interest lands.

West 3 – West 4,

Southeast Alberta, Southwest Saskatchewan and Southeast Saskatchewan

Most of Find's current production comes from low-risk, maturing properties acquired through Lexxor in September 2003. In southeast Alberta, Find at year-end 2003 produced about 1,200 boe per day of medium-gravity oil and natural gas at Ariel, Willow, Dobson, Neutral Hills and Coronation. Production in southeast Saskatchewan was about 700 bbls per day, while southwest Saskatchewan produced about 150 bbls per day.

These year-round-access properties are primarily optimization plays where unit cost reductions through improved water injection, well recompletions, workovers, and other activity in the field add production while reducing decline rates and extending field life. Find's primary goal is production maintenance to maximize cash flow for redeployment to higher-impact opportunities. Non-core, low-upside properties may be divested in due course.

Hazlet

Find's best growth opportunity in these regions is Hazlet in southwest Saskatchewan. Originally a small Lexxor property with a 50 percent working interest in a Roseray oil unit, Hazlet shows potential for growth of both the Roseray and the emerging Milk River shallow gas play. Through Crown land sales, in late 2003, Find expanded Hazlet to 31 undeveloped sections at 100 percent working interest.

Find plans to move from high-watercut vertical wells in the Roseray formation to horizontal wells defined by 3-D seismic that images upper pay zones, producing lower-water cut "attic" oil. One horizontal well drilled in 2003 justifies further horizontal wells. Find also sees potential for Roseray and Shaunavon oil on-trend with other producing pools. Four exploratory wells are planned for 2004; success would trigger a 3-D seismic program plus additional wells.

Though technically challenging and of relatively low reservoir quality, the shallow (500 metres depth) Milk River play's broad extent and long production life make it attractive at today's prices. Find drilled one successful well in December. Milk River wells typically produce at 80-100 mcf per day, with eight wells drilled per section. Find's large land base creates potential for significant volumes. Several additional evaluation wells are planned in 2004.

Hazlet, Saskatchewan

Operations Statistical Review

Land

Land is the key to long-term growth through the drill bit, and in 2003 Find was successful in building its land inventory at its growth areas. Industry land costs rose throughout the year in a period of high commodity prices and very active drilling. Find's focused, prospect-driven land strategy is adapted to these realities. In 2003 land acquisitions focused on W5-region exploration prospects. Crucial purchases were made at Bigstone, Kaybob and Pembina West. Other strategic purchases were made in the W4 region and at Hazlet in southwest Saskatchewan. The Lexxor acquisition on September 15 included 71,000 net acres of undeveloped lands. At year-end Find's undeveloped lands were held at an average working interest of 55 percent.

Going forward, continuous growth in Find's land base will remain a strategic component in building the Company's foundation for future growth. The following table details Find's land holdings and their independently assessed cash value:

Undeveloped Land Holdings
As at March 1, 2004

Area	Gross Acres	Net Acres	Value
Hamburg	56,274	9,493	$ 775,849
Antler	8,111	7,769	748,792
Bigstone	5,120	5,120	716,800
Dobson/Berry	7,520	6,240	635,840
Hazlet	18,403	18,321	619,967
Thorsby	8,801	4,000	386,016
Kaybob	2,560	2,240	208,080
Ingoldsby	1,517	961	95,861
Pembina/Alder Flats	3,200	3,200	89,024
Aerial	640	640	38,400
Edenvale/Redvers	1,078	780	14,263
Other Alberta	142,279	76,822	3,661,710
British Columbia	11,073	3,136	172,857
Other Saskatchewan	14,457	9,412	452,856
	281,033	148,134	$ 8,616,315

Drilling

The heart of Find's 2003 drilling was the five-well natural gas program at Kaybob, one of Find's five high-impact plays in the W5 region. The Kaybob program was 100 percent successful. At Pembina West, in December, Find drilled a multi-zone discovery. Initial drilling successes also occurred at the promising Roseray oil and Milk River natural gas programs at Hazlet in southwest Saskatchewan.

Find operated the large majority of its 2003 drilling, most of which occurred in the fourth quarter. Of Find's 17 gross wells, 11 have been or will be brought on-production, for a success rate of 65 percent. This success rate reflects the exploratory, early-stage nature of most of Find's growth-oriented activities. Find intends to reduce technical risks at new plays through repeated drilling, established production histories on new wells and correlation of seismic to new well control. The Company expects its drilling success rate to increase. As a result, Find has budgeted 20 net wells in 2004, with drilling planned at each of the Company's growth prospects.

2003 Drilling Statistics

	Natural Gas		Oil		D & A	
Area	Gross	Net	Gross	Net	Gross	Net
Kaybob	5	2.8	–	–	–	–
Hazlet	1	0.8	1	0.5	1	0.8
Southeast Saskatchewan	–	–	2	1.1	–	–
Pembina/Alder Flats	–	–	1	0.6	–	–
Dobson/Berry	–	–	–	–	2	1.6
Others	1	0.2	–	–	3	1.8
Total	7	3.8	4	2.2	6	4.2

Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor

To the Board of Directors of Find Energy Ltd. (the "Company"):

1. We have prepared an evaluation of the Company's reserves data as at December 31, 2003. The reserves data consist of the following:
   - (a) (i) proved and proved plus probable oil and gas reserves estimated as at December 31, 2003, using forecast prices and costs; and
     - (ii) the related estimated future net revenue; and
   - (b) (i) proved oil and gas reserves estimated as at December 31, 2003, using constant prices and costs; and
     - (ii) the related estimated future net revenue.

2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.

   We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook") prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society).

3. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions in the COGE Handbook.

4. The following table sets forth the estimated future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated by us for the year ended December 31, 2003, and identifies the respective portions thereof that we have audited, evaluated and reviewed and reported on to the Company's board of directors:

Description and Preparation Date of EvaluationReport	Location of Reserves (Country or Foreign Geographic Area)	Net Present Value of Future Net Revenue (before income taxes, 10% discount rate)			
		Audited	Evaluated	Reviewed	Total
March 8, 2004	Canada	$0	$61,589 M	$0	$61,589 M

5. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook.

6. We have no responsibility to update this evaluation for events and circumstances occurring after the preparation dates.

7. Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

Gilbert Laustsen Jung Associates Ltd.,

Wayne W. Chow, P. Eng.
Vice-President

Calgary, Alberta, Canada
Dated March 17, 2004

Statement of Reserves Data and other Oil and Gas Information

The statement of reserves data and other oil and natural gas information set forth below is dated March 17, 2004. The effective date of the statement is December 31, 2003 and the preparation date of the statement is March 8, 2004.

Disclosure of Reserves Data

The reserves data set forth below are based upon an evaluation by Gilbert Laustsen Jung Associates Ltd. (GLJ), independent reserves evaluator, with an effective date of December 31, 2003 contained in the GLJ Report. The reserves data summarize the oil, liquids and natural gas reserves of Find and the net present values of future net revenue for these reserves using forecast prices and costs.

The reserves data conform to the requirements of National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities (N.I. 51-101). Additional information not required by N.I. 51-101 has been presented to provide continuity and additional information which the Company believes is important to the readers of this information. The Company engaged GLJ to provide an evaluation of proved and proved plus probable reserves and no attempt was made to evaluate possible reserves. All of Find's reserves are in Alberta and Saskatchewan, Canada.

It should not be assumed that the estimates of future net revenues presented in the tables below represent the fair market value of the reserves. There is no assurance that the forecast prices and costs assumptions will be attained, and variances could be material. The recovery and reserve estimates of the Company's crude oil, natural gas liquids and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, natural gas and natural gas liquids reserves may be greater than or less than the estimates provided herein.

Implications of N.I. 51-101

The implementation of N.I. 51-101 became effective September 30, 2003, replacing National Policy 2-B. The principal effect is the requirement of higher certainty relating to the recoverability of reserves, and hence higher certainty associated with the booking of reserves and the calculation of cash flows and asset values derived from these estimates. Under N.I. 51-101 proved reserves are defined as having a 90 percent probability that the actual reserves recovered will equal or exceed the assigned estimates. Probable reserves are defined as having equal probabilities that the actual reserves recovered will exceed or be less than the assigned estimates. The new requirements have been established to create greater consistency of estimates and public disclosure thereof throughout the industry.

The transaction with Lexxor Energy Inc. on September 15, 2003 included acquisition of all of the outstanding assets of Lexxor, including Lexxor's oil and natural gas reserves. These reserves were booked as at December 31, 2003 and are accounted for in the following tables. Find's assessment of Lexxor's reserves under its due diligence in advance of the transaction was in strong alignment with the results of the first independent evaluation under N.I. 51-101.

Summary of Company Interest Oil and Natural Gas Reserves [1]
(forecast prices and costs)
As at December 31, 2003

Reserves Category	Crude Oil TCI [2] (mbbls)	Crude Oil Net [3] (mbbls)	Natural Gas TCI [2] (mmcf)	Natural Gas Net [3] (mmcf)	Natural Gas Liquids TCI [2] (mbbls)	Natural Gas Liquids Net [3] (mbbls)	Total Gas @ 6:1 TCI [2] (mbbls)	Total Gas @ 6:1 Net [3] (mbbls)
Proved								
Developed producing	2,237	1,908	7,712	5,852	172	112	3,694	2,995
Developed non-producing	99	89	3,382	2,496	111	71	774	576
Undeveloped	470	414	140	132	33	33	526	469
Total proved	2,806	2,411	11,234	8,480	316	216	4,994	4,040
Probable	837	735	3,481	2,668	119	89	1,536	1,269
Total proved plus probable	3,643	3,146	14,715	11,148	435	305	6,531	5,309

[1] *Due to rounding, some columns of figures may not add up precisely to the totals presented.*

[2] *Total Company Interest; includes working interest and royalty interest reserves.*

[3] *Net reserves are total Company interest reserves net of royalties.*

Summary of Net Present Values of Future Net Revenue
(forecast prices and costs)
As at December 31, 2003

	Net Present Values of Future Net Revenue Before Income Taxes Discounted at (%/Year) 0 ($000s)	10 ($000s)	12 ($000s)	15 ($000s)
Proved				
Developed producing	48,314	35,205	33,650	31,650
Developed non-producing	11,882	7,009	6,503	5,879
Undeveloped	10,117	7,825	7,503	7,075
Total proved	70,313	50,039	47,656	44,604
Probable	26,458	11,550	10,432	9,142
Total proved plus probable	96,771	61,589	58,088	53,746

Reserves by Major Property
As at December 31, 2003

Area, mboe @ 6:1	Proved Developed Producing	Total Proved	Proved Plus Probable	Proved Plus Probable Discount Rate @ 10%	15%
Edenvale/Redvers	544	894	1,308	15,975	13,847
Kaybob	578	1,122	1,499	12,296	10,092
Aerial	542	542	649	8,689	7,710
Ingoldsby	534	711	875	5,001	4,293
Hazlet	345	345	445	2,199	2,021
Pembina/Alder Flats	22	159	189	1,855	1,561
Dobson/Berry	104	116	147	1,691	1,505
Antler	117	117	162	1,359	1,271
Others	908	988	1,256	12,524	11,446
	3,694	4,994	6,530	61,589	53,746

The following table reconciles changes to Find's reserves as at December 31, 2002 and as at December 31, 2003 through additions, acquisitions and production during the year:

Total Company Interest Reserve Reconciliation

	Total Proved			Total Proved Plus Probable		
	Natural Gas (mmcf)	Oil and NGLs (mbbls)	Total @ 6:1 (mboe)	Natural Gas (mmcf)	Oil and NGLs (mbbls)	Total @ 6:1 (mboe)
December 31, 2002	1,863	47	358	3,573	58	654
Acquisitions	5,373	2,993	3,889	5,814	3,885	4,854
Additions through drilling	4,668	237	1,015	5,998	290	1,290
Production	(670)	(155)	(267)	(670)	(155)	(267)
December 31, 2003	11,234	3,122	4,994	14,715	4,078	6,531

Reserves as at December 31, 2002 were estimated using the subsequently discontinued standards of National Policy 2-B and include only reserves held by Sine, not reserves acquired through Lexxor, which are accounted for under "Acquisitions." Find's due-diligence estimates of Lexxor's reserves before the acquisition conformed closely to the results of the evaluation by GLJ. Reserves attributable to the Lexxor acquisition were booked as at September 15, 2003 and not before.

Finding Costs

The following table depicts Find's capital expenditures and reserve additions in 2003, and provides calculations of the average cost to add one new boe of reserves, not including estimated future capital investments required to bring undeveloped or non-producing reserves on-production:

Finding, Development and Acquisitions Costs, Excluding Future Capital
For the year ended December 31, 2003

	Field Operations	Acquisitions	Total
Total capital expenditures incurred ($000s)	$ 13,950	$ 52,800	$ 66,749
Total proved reserve additions (mboe)	1,015	3,889	4,904
Total proved plus probable reserve additions (mboe)	1,290	4,854	6,144
Proved finding costs ($/boe)	$ 13.74	$ 13.58	$ 13.61
Proved plus probable finding costs ($/boe)	$ 10.81	$ 10.88	$ 10.86

Among their other effects, the heightened standards of N.I. 51-101 defer the recognition of new reserves attributable to recent discoveries. Exploration wells lacking an established production history cannot generate trend-lines required by the reserves evaluator to attain the probabilities demanded under N.I. 51-101. This can have the effect of "front-end-loading" the finding costs of reserve additions for companies, such as Find, that have a high percentage of activities focused on exploration and a high percentage of production attributable to recent discoveries. Find expects that its finding costs per boe should decline in future years as reserves from previous years' discoveries are proved through established production histories and can be booked, partially offsetting the costs attributable to that year's exploration activities whose discoveries cannot yet be fully booked as reserves.

The following table depicts Find's capital expenditures and reserve additions in 2003, and provides calculations of the average cost to add one new boe of reserves, including estimated future capital investments required to bring undeveloped or non-producing reserves on-production:

Finding, Development and Acquisitions Costs, Including Future Capital
For the year ended December 31, 2003

	Field Operations	Acquisitions	Total
Total capital expenditures incurred ($000s)	$ 13,950	$ 52,800	$ 66,749
Total proved future capital	$ 1,089	$ 2,638	$ 3,727
Total proved plus probable future capital	$ 1,089	$ 3,296	$ 4,385
Total proved reserve additions (mboe)	1,015	3,889	4,904
Total proved plus probable reserve additions (mboe)	1,290	4,854	6,144
Proved finding costs ($/boe)	$ 14.82	$ 14.26	$ 14.37
Proved plus probable finding costs ($/boe)	$ 11.66	$ 11.56	$ 11.58

Net Asset Value

As at December 31, 2003

($000s, except share and per share data)	
Reserves @ 10%	
Proved producing	$ 35,205
Proved developed non-producing	7,009
Proved undeveloped	7,825
Total proved	50,039
Probable	11,550
Total proved plus probable	61,589
Undeveloped land [1]	8,616
Proprietary 2-D and 3-D seismic [2]	3,500
Total asset value	73,705
Working capital deficiency	(4,485)
Bank indebtedness	(14,604)
Net asset value	$ 54,616
Total shares outstanding	25,941
Net asset value per share	$ 2.11

[1] *As evaluated by Seaton Jordan & Associates Ltd.*

[2] *Values calculated based on industry proxies associated with proprietary data.*

Management's Discussion and Analysis

This management's discussion and analysis ("MD&A") should be read in conjunction with the audited financial statements of Find Energy Ltd. ("Find" or "the Company") as well as the Annual Information Form ("AIF") of Find available on SEDAR (www.sedar.com).

Find was formed on September 15, 2003, through the combination of Lexxor Energy Inc. ("Lexxor") and Sine Energy Ltd. ("Sine") using a Plan of Arrangement. For reporting purposes, the transaction was accounted for as a reverse takeover, whereby Sine Energy Ltd. was deemed to be the surviving entity. Accordingly, the financial statements contain only 107 days of results from Lexxor and all historical comparatives are those of Sine.

For the year ended December 31, 2002, Sine was considered to be in the pre-production stage and, as such, had no production revenue, royalties and operating expenses.

Volumes

	2003 Avg	Q4 Avg	Q3 Avg
Oil and NGLs (bbls/d)	416	1,356	253
Natural gas (mcf/d)	1,836	4,138	1,656
Total (boe/d)	722	2,046	528

Note: Natural gas converted @ 6:1

During the fourth quarter, Find moved quickly to drill opportunities identified on the former Lexxor and Sine lands. The Company experienced a high drilling success rate but tie-in of new wells did not occur until late in December so fourth quarter production was only marginally increased by the positive drilling results.

As at March 13, 2004, Find's production is 2,350 boe per day, comprised of 5.3 mmcf per day of natural gas and 1,467 barrels per day of oil and natural gas liquids. The Company currently has 4 gross (2.6 net) gas wells awaiting tie-in.

Product Pricing

Natural Gas ($/mcf)	2003 Avg	Q4	Q3
Price before hedging	6.26	5.90	6.03
Hedging loss	0.04	0.03	0.08
Net price	6.22	5.87	5.95
AECO daily index	6.66	5.78	5.85

Natural gas prices in 2003 were the best ever, as they averaged $6.66 per mcf in 2003. AECO daily index pricing was relatively constant in the last half of 2003, averaging around $5.82 per mcf. Find's average gas price for the last half of the year was $5.97 per mcf before hedging losses. The Company expects to sell its natural gas at a slight premium to or at the AECO daily index price into the future due to its high heat content.

Oil and Natural Gas Liquids ($/bbl)	2003 Avg	Q4	Q3
Price before hedging	33.36	33.59	31.89
Hedging loss	2.01	2.39	0.34
Net price	31.35	31.20	31.55
WTI (US$/bbl)	31.13	31.13	30.24
Edmonton Light ($/bbl)	43.21	39.77	41.27

Crude oil prices had an exceptional year in 2003, averaging $31.13 US per bbl. The strength in the CDN$ mitigated some of the returns to producers, but Edmonton Light oil still averaged $43.21 CDN per barrel for the year. Find's fourth quarter crude oil and NGLs price was $33.59 before hedging. This differential to Edmonton Light is reasonable for the Company to expect to experience in the future.

Income Statement

Revenue	2003	Q4	Q3
Oil and natural gas sales ($000)	9,261	6,436	1,660
Per boe ($)	35.15	34.19	34.13
Hedging loss ($000)	330	309	21
Per boe ($)	1.25	1.64	0.42

Find's gross revenue per boe remained constant through the third and fourth quarter, as WTI and AECO traded through a fairly consistent range.

Find incurred a hedging loss of $309,000 or $1.64 per boe in the fourth quarter. This loss was made up of an $11,000 loss in a natural gas swap and a $298,000 loss on a WTI oil swap.

Going forward, the Company may continue to use hedge transactions to manage the cash flow of the Company and therefore to add certainty to capital programs. These hedge transactions may take the form of swaps, costless collars, floors or ceilings. Items that form part of Find's cash flow that could be hedged include oil and natural gas prices, foreign exchange and interest rates. At no time will Find hedge more than 60 percent of its annual production volume. Details of the Company's currently outstanding hedges are contained in Note 10 of the 2003 audited financial statements.

Royalties	2003	Q4	Q3
Total royalties ($000)	2,010	1,248	403
% of revenue before hedging	21.7%	19.4%	24.3%
Per boe ($)	7.63	6.63	8.28

Royalties as a percentage of revenue were much higher in Q3 and for the full year than in Q4. Prior to Q4, the majority of Find's royalty expense was contributed by Sine. Sine's production base had been established by drilling

on farm-ins paying gross overriding royalties in addition to Crown royalties and, therefore, had a much higher royalty burden as a percentage than Lexxor's properties. Going forward, Find expects to have a corporate royalty rate slightly above the Q4 rate.

Operating Expenses	2003	Q4	Q3
Total lease operating ($000)	2,801	2,117	517
Per boe ($)	10.63	11.25	10.64

Lease operating expenses remain an area of great concern to Find. The properties that Sine contributed to Find had a much lower operating cost per boe than Lexxor's, but Sine's production contribution to Find is far smaller than Lexxor's.

High operating costs substantially reduce the netback of the Company, which in turn reduces the amount of cash available for reinvestment in new drilling opportunities. This becomes most relevant during periods of low commodity prices when profits will be particularly squeezed by high costs.

The general characteristics of the high operating cost properties are that there are many wells contributing small amounts of production per well, and therefore, have a large component of fixed costs. Find is addressing the operating costs issue on many fronts, including: (1) replacing rental equipment with purchased equipment; (2) enhancing production from existing well bores through workovers; (3) drilling additional wells on the properties; and (4) shutting properties in or selling them.

General and Administrative

($000s, except per boe amounts)	2003	Q4	Q3
Total G&A expense	2,267	1,101	483
Recoveries	(473)	(368)	(38)
Capitalized	(576)	(174)	(157)
Net	1,218	559	288
Per boe	$ 4.62	$ 2.97	$ 5.92

Find's gross G&A expense for the fourth quarter was impacted negatively by $100,000 spent to evaluate a potential acquisition and by $30,000 spent developing corporate policies and mandates for the various Board committees. Had these costs not been incurred, Find's G&A would have been reduced by $0.69 per boe to $2.28 per boe for the quarter. New production adds did not occur as early in the quarter as had been anticipated, hence G & A per boe was high. Find expects further reductions to G&A expense per boe as the Company's volumes continue to grow.

Find currently has 23 full time employees, with 13 employed in the technical areas of land, geology, geophysics and engineering. This level of staffing should sustain the Company through its near-term growth targets.

Interest Expense

	2003	Q4	Q3
Total interest paid ($000)	193	139	54
Per boe	$ 0.73	$ 0.74	$ 1.11

Find's interest expense was primarily incurred after the assumption of Lexxor's debt on September 15, 2003. Details of the Company's indebtedness including rates and security pledged, is contained in Note 6 to the 2003 audited financial statements.

Depletion, Depreciation and Site Restoration

	2003	Q4	Q3
Total DD&A ($000)	3,453	2,351	685
Per boe	$ 13.10	$ 12.49	$ 14.09

Find's depletion, depreciation and site restoration decreased in the fourth quarter from the third quarter on a boe basis. This is due to the low cost reserve additions achieved in the fourth quarter. Find hopes to further reduce this rate in the future.

Provision for Taxes

	2003	Q4	Q3
Cash taxes paid ($000)	181	152	21
Per boe	$ 0.69	$ 0.81	$ 0.43

Find's cash taxes are Federal Large Corporations Tax and the Saskatchewan Resource Surcharge; there was no cash income taxes payable in 2003. Based upon current tax pool balances of approximately $69,000,000 and forecasted spending, the Company does not expect to pay cash income taxes in 2004.

Net Loss

	2003	Q4	Q3
Net loss ($000)	809	439	252
Net loss per boe	$ 3.07	$ 2.33	$ 5.19
Net loss per share	$ 0.06	$ 0.03	$ 0.02

Find sustained losses both in the fourth quarter and the twelve months ended December 31, 2003. Despite record high commodity prices during the year, results were impeded by high cash costs in the areas of lease operating and G&A and in the non cash area of depletion and depreciation. As detailed above, Find continues to work hard to achieve improvements in these critical areas of its business. However, new accounting standards in the area of accounting for stock options will add to the challenge of generating positive earnings in 2004. Find expects to book a non-cash charge of approximately $1.1 million to earnings in 2004 to recognize the cost of outstanding stock options.

Liquidity and Capital Resources

Cash Flow from Operations

($000s, except per share and boe amounts)	Twelve Months Ended Dec. 31, 2003	Three Months Ended Dec. 31, 2003
Cash flow from operations	2,575	1,912
Cash flow netback, per boe	$ 9.77	$ 10.16
Cash flow as a percentage of revenue	28.8%	29.7%
Cash flow from operations, per share	$ 0.14	$ 0.08

Cash flow is an important measurement of a company's ability to grow as it represents funds available for investment in new projects. Find's cash flow net back of $10.16 is not yet where it needs to be. The cash flow netback should be increased in the future through reduced operating expenses and higher production volumes.

Capital Expenditures

($000s)	Twelve Months Ended Dec. 31, 2003	Three Months Ended Dec. 31, 2003
Land and seismic	3,458	2,216
Drilling and completions	8,709	4,212
Well equipment and facilities	1,207	772
	13,374	7,200
Capitalized G&A	576	174
Total capital expenditures	13,950	7,374

Capital Expenditures and Drilling Results by Area

($000s)					Gas		Oil		D & A	
Area	Land/ Seismic	Drill/ Comp	Equip/ Facilities	Total	Gross	Net	Gross	Net	Gross	Net
Kaybob	386	3,572	520	4,478	5	2.8	–	–	–	–
Nig	162	1,669	–	1,831	–	–	–	–	1	0.4
Hazlet	884	887	49	1,820	1	0.8	1	0.5	1	0.8
S.E. Saskatchewan	–	772	203	975	–	–	2	1.1	–	–
Pembina/Alder Flats	330	433	16	779	–	–	1	0.6	–	–
Dobson/Berry	177	513	5	695	–	–	–	–	2	1.6
Other	1,519	863	414	2,796	1	0.2	–	–	2	1.4
	3,458	8,709	1,207	13,374	7	3.8	4	2.2	6	4.2

By far the most important transaction for Find in 2003 was the arrangement between Lexxor and Sine on September 15. From the transaction, Find acquired 4,854,000 boe of proved plus probable reserves, 77,000 net acres of undeveloped land and an extensive 2-D and 3-D proprietary seismic data base. The total value assigned by Find to these assets was $52.8 million. Further details of the acquisition are contained in Note 3 to the audited financial statements of Find.

At December 31, 2003, the Company performed ceiling tests under both AcG5 and AcG16 standards to assess the recoverable value of property, plant and equipment. The Company has excess coverage under both tests ranging from $8 to $13 million.

For 2004, the Company has established a capital expenditures budget of $20 to $25 million. This level of capital expenditures will be funded by a combination of available lines of credit and cash flow. At December 31, 2003, the Company had drawn $14.6 million of a $26 million credit facility. Find also had a $4.5 million working capital deficiency, which will be retired from draws on the bank facility and cash flow.

There are many risks underlying the assumptions made in assuming a $20 to $25 million capital expenditures budget. These include commodity prices, exchange rates, interest rates, production volumes from new wells, weather, equipment shortages and regulatory delays. Virtually all of the capital expenditures budget is being spent on properties operated by Find or on ideas generated by Find. Consequently, the Company controls the pace of development of these projects and can defer them to a later date if changes in the business environment warrant it. Should anything cause material changes to the Company's spending plans, Find will issue revised guidance by way of a press release.

Equity Capital

Find completed two common share issues during the fourth quarter. The first was the sale of 2,350,000 common shares and 1,150,000 "flow-through" common shares to raise gross proceeds of $11.1 million. There were expenses totaling $725,000 associated with this issue. The second was the exercise of arrangement warrants issued to former Lexxor shareholders in conjunction with the transaction. These raised proceeds of $4.1 million through the issue of 1,900,747 common shares.

Find currently has 25.9 million common shares outstanding and has granted 2,140,000 stock options to officers, directors and employees.

Management's Report

The financial statements of Find Energy Ltd. and the accompanying supplemental information are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management in accordance with generally accepted accounting principles. When alternate accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include some amounts that are based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Financial information presented elsewhere in this annual report have been prepared by management on a basis consistent with that in the financial statements.

Find Energy Ltd. maintains systems of internal accounting controls. These systems provided reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are properly accounted for and adequately safeguarded.

The Audit and Reserves Committee of the Board of Directors, composed entirely of non-management directors, meet regularly with management, as well as the external auditors, to discuss auditing (external, internal and joint venture), internal controls, accounting policy, financial reporting matters and the reserves determination process. The Committee reviews the financial statements and Management's Discussion and Analysis and recommends their approval to the Board of Directors.

The financial statements have been audited by Collins Barrow Calgary LLP, the independent auditors, in accordance with generally accepted auditing standards on behalf of the shareholders. Collins Barrow Calgary LLP have full and free access to the Audit and Reserves Committee.

William T. Davis
President and Chief Executive Officer
April 26, 2004

Jeffrey P. Jongmans
Vice President, Finance and Chief Financial Officer

Auditors' Report

To the Shareholders of Find Energy Ltd.

We have audited the consolidated balance sheets of Find Energy Ltd. as at December 31, 2003 and December 31, 2002 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion of these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2003 and 2002 and the results of its operations and its cash flow for the years then ended in accordance with Canadian generally accepted accounting principles.

Collins Barrow Calgary LLP

Chartered Accountants

Calgary, Alberta

March 16, 2004

Consolidated Balance Sheets

December 31, ($)	2003	2002
Assets		
Current		
Cash and short-term investments	23,378	2,034,275
Accounts receivable	7,221,078	295,193
Prepaid expenses	453,486	53,520
	7,697,942	2,382,988
Deposits and other (Note 4)	223,911	–
Property and equipment (Note 5)	69,815,438	6,422,276
	77,737,291	8,805,264
Liabilities		
Current		
Accounts payable and accrued liabilities	11,706,868	1,590,429
Income taxes payable	476,159	11,000
Bank indebtedness (Note 6)	14,603,877	–
	26,786,904	1,601,429
Future site restoration and abandonment (Note 5)	2,204,800	–
Future income taxes (Note 7)	–	594,083
Shareholders' Equity		
Share capital (Note 8)	49,881,682	6,932,500
Contributed surplus	–	4,670
Deficit	(1,136,095)	(327,418)
	48,745,587	6,609,752
	77,737,291	8,805,264

Contingencies and commitments (Note 10)
Subsequent events (Note 11)

The accompanying notes are an integral part of these financial statements.

Approved by the Board,

Robert Cook
Director

Richard A.N. Bonnycastle
Director

Consolidated Statements of Operations and Deficit

Years ended December 31, ($)	2003	2002
Revenue		
Petroleum and natural gas sales	8,930,832	–
Royalties	2,009,607	–
	6,921,225	–
Interest and other	45,975	81,009
	6,967,200	81,009
Expenses		
Operating	2,801,172	–
General and administrative	1,217,512	479,484
Interest	192,945	–
Depletion, depreciation and amortization (Note 5)	3,453,000	16,400
	7,664,629	495,884
Income (loss) before taxes	(697,429)	(414,875)
Provision for taxes (Note 7)		
Capital	181,188	11,247
Future (Recovered)	(69,940)	(98,704)
	111,248	(87,457)
Income (loss) for the year	(808,677)	(327,418)
Deficit, beginning of year	(327,418)	–
Deficit, end of year	(1,136,095)	(327,418)
Income (loss) per share		
Basic and diluted	(0.06)	(0.03)
Weighted average number of shares (Note 9)	14,065,421	9,643,736
Total number of shares outstanding at end of period (Note 8)	25,941,163	9,816,577

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Cash Flow

Years ended December 31, ($)	2003	2002
Cash flows related to the following activities:		
Operating		
Loss for the year	(808,677)	(327,418)
Adjustments for:		
Depletion, depreciation and amortization	3,453,000	16,400
Future income taxes (recovered)	(69,940)	(98,704)
Other	155	–
	2,574,538	(409,722)
Changes in non-cash working capital	96,942	14,315
	2,671,480	(395,407)
Financing		
Issue of shares, net of share issue costs	27,036,848	2,748,872
Bank indebtedness	(15,146,713)	–
Changes in non-cash working capital	–	(57,168)
	11,890,135	2,691,704
Investing		
Property and equipment	(13,949,805)	(4,699,622)
Corporate acquisition transaction costs	(751,638)	–
Other deposits	(13,689)	–
Changes in non-cash working capital	(1,857,380)	1,238,401
	(16,572,512)	(3,461,221)
Net decrease in cash and cash equivalents	(2,010,897)	(1,164,924)
Cash and cash equivalents, beginning of year	2,034,275	3,199,199
Cash and cash equivalents, end of year	23,378	2,034,275
Cash and cash equivalents is comprised of:		
Cash	23,378	134,275
Short-term investments, less than 90 days	–	1,900,000
	23,378	2,034,275
Taxes paid during the year	310,259	–
Interest paid during the year	205,039	–

The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

1. Business of the Corporation

On September 10, 2003, the shareholders of Sine Energy Ltd. ("Sine") and Lexxor Energy Inc. ("Lexxor"), a public oil and gas exploration and production company, approved a Plan of Arrangement (the "Arrangement") to combine the companies.

Under the terms of the Arrangement, Lexxor acquired all of the issued and outstanding shares of Sine in exchange for Lexxor common shares, the issued and outstanding common shares were consolidated on a one for two basis, and the Corporation changed its name to Find Energy Ltd. Subsequent to this share exchange, the former shareholders of Sine owned 48.5 percent of the issued and outstanding common shares and the directors and senior management of the combined company are the former directors and senior management of Sine.

This business combination has been accounted for as a reverse takeover using the purchase method of accounting with Sine as the acquirer. Accordingly, the financial statements include the historical accounts of Sine and do not include the net operations of Lexxor for any period prior to September 15, 2003, except for summary results of operations and cash flows for the pre-acquisition period from January 1, 2003 to September 15, 2003 reported in Note 12.

These consolidated financial statements of Find Energy Ltd. (the "Corporation") have been prepared by management in accordance with accounting principles generally accepted in Canada. The preparation requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results would differ from these estimates.

2. Significant Accounting Policies

Effective January 1, 2003, the Corporation commenced commercial production from its petroleum and natural gas properties. Prior to that time, the Corporation was devoting substantially all of its efforts to acquiring mineral rights, recruiting personnel and developing exploration prospects. As such, the Corporation was considered to be in the pre-production stage and capitalized net production revenue. Cumulative net production revenue deducted against property and equipment to December 31, 2002 was $118,146.

Consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly- owned subsidiary companies.

A significant part of the Corporation's exploration, development and production activities are conducted jointly with others, and these financial statements reflect only the Corporation's proportionate interest in such activities.

Revenue recognition

Petroleum and natural gas revenue is recognized at the time sales volumes are delivered to the purchasers. The Corporation does not recognize inventory related to volumes produced but not sold at the end of the year.

Petroleum and natural gas operations

The Corporation follows the full cost method of accounting whereby all costs relating to the acquisition, exploration, and development of petroleum and natural gas reserves are capitalized.

Capitalized costs of petroleum and natural gas properties and related equipment are depleted and depreciated using the unit-of-production method based on estimated gross proven developed and undeveloped petroleum and natural gas reserves as determined by independent consulting engineers. For the purpose of this calculation, production and reserves of petroleum and natural gas are converted to equivalent units based on the relative energy content of six thousand cubic feet of natural gas to one barrel of oil. Costs of acquiring and evaluating unproved properties are excluded from costs subject to depletion and depreciation until it is determined that proved reserves are attributable to the properties or impairment occurs. Gains or losses on sales of properties are recognized only when crediting the proceeds to cost would result in a change of 20 percent or more in the depletion and depreciation rate.

A ceiling test is applied to ensure the capitalized costs do not exceed the sum of estimated undiscounted and unescalated future net revenues from proven reserves at year end prices, plus unimpaired unproven property costs, less future development costs, and related production, site restoration, interest and general and administrative costs, and applicable taxes. If the net carrying costs exceed the ultimate recoverable amount, additional depletion and depreciation is provided.

Future site restoration and abandonment

Estimates are made of the future site restoration and abandonment costs relating to the Corporation's petroleum and natural gas properties at the end of their economic life, based on current costs and technology and in accordance with current legislative requirements and industry practice. Annual charges are provided for on the unit-of-production basis and are recorded in the consolidated statement of operations as a component

of depletion and depreciation and on the consolidated balance sheet as a long-term liability. Actual site restoration and abandonment expenditures will be applied against the accumulated provision account in the period incurred.

Measurement uncertainty

The amounts recorded for depletion and depreciation of property and equipment, the ceiling test calculation and the provision for future site restoration and abandonment costs are based on estimates of proved petroleum and natural gas reserves, production rates, petroleum and natural gas prices, future costs and other relevant assumptions. The Corporation's reserve estimates are evaluated annually by an independent engineering firm. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be material.

Furniture and equipment

Furniture and equipment are recorded at cost and are being depreciated on a declining balance basis at rates of 20 percent to 30 percent per year.

Cash and cash equivalents

Cash and cash equivalents is comprised of deposits with banks and short-term investments with a term of less than 90 days.

Income taxes

The Corporation follows the liability method of accounting for income taxes. Under this method, income tax liabilities and assets are recognized for the estimated tax consequences attributed to differences between the amounts reported in the financial statements and their respective tax bases, using substantively enacted income tax rates. The effect of a change in income tax rates on future income tax liabilities and assets is recognized in income in the period that the change occurs.

Flow-through shares

The resource expenditure deductions for income tax purposes related to exploratory and development activities funded by flow-through share arrangements are renounced to investors in accordance with tax legislation. Share capital is reduced and future income taxes are increased by the foregone tax benefits related to the renounced tax deduction when the expenditures are incurred.

Stock-based compensation

The Corporation uses the intrinsic value-based method of accounting for stock options granted to employees, officers and directors, whereby no compensation expense is recorded for stock options granted that have an exercise price equal to or greater than the fair value of the stock at the date of grant. The Corporation discloses the pro forma results of using the fair value method under which compensation expense is recorded

based on the estimated fair value of the options at the date of grant. The pro forma results will reflect only the effect of grants made subsequent to January 1, 2002.

For stock options granted to consultants, the Corporation records compensation expense using the fair value method.

The Corporation's stock option plan is described in note 8(h).

Loss per share

Basic loss per share is computed by dividing net loss by the weighted average number of common shares outstanding during the year. Diluted per share amounts reflect the potential dilution that could occur if "in the money" options to purchase common shares were exercised. The treasury stock method is used to determine the dilutive effect of stock options, whereby proceeds from the exercise of "in the money" stock options and share purchase warrants are assumed to be used to purchase common shares at the average market price of the shares during the year.

Foreign currency translation

Monetary assets and liabilities denominated in a foreign currency are translated at the rate of exchange in effect at year-end while non-monetary assets and liabilities are translated at historical rates of exchange. Revenues and expense are translated at monthly average rates of exchange.

Financial instruments

The Corporation holds various forms of financial instruments. The estimated fair value of recognized financial instruments have been determined based on the Corporation's assessment of available market information and appropriate valuation methodologies; however, these estimates may not necessarily be indicative of the amounts that could be realized or settled in a future market transaction. The fair values of these financial instruments approximate their carrying amounts.

(a) Credit risk

The majority of the Corporation's accounts receivable are due from joint venture partners in the oil and gas industry and from purchasers of the Corporation's oil and natural gas production. The Corporation generally extends unsecured credit to these customers and therefore, the collection of accounts receivable may be affected by changes in economic or other conditions. Management believes the risk is mitigated by the size and reputation of the companies to which they extend credit. The Corporation has not experienced any credit loss in the collection of accounts receivable to date.

(b) Commodity price risk

The nature of the Corporation's operations results in exposure to fluctuations in commodity prices. Financial instruments were in place to manage commodity prices during the current year as disclosed in Note 10. Management continuously monitors commodity prices and initiates instruments to manage its exposure to these risks when it deems appropriate.

(c) Foreign currency exchange risk

The Corporation is exposed to foreign currency fluctuations as crude oil and natural gas prices received are referenced to U.S. dollar denominated prices. The Corporation may enter into foreign exchange forward contracts to hedge petroleum and natural gas sales. These derivatives, accounted for as hedges, are not recognized on the balance sheet. The gains and losses on these derivatives are recognized as an adjustment to petroleum and natural gas revenues when the related sales are recorded.

(d) Interest rate risk

The Corporation's borrowings are subject to floating interest rates. The interest rates fluctuate with changes in market rates and are also adjusted quarterly to reflect the Corporation's debt to cash flow ratio in the preceding year.

3. Acquisition

The combination of Sine Energy Ltd. and Lexxor Energy Inc., as described in Note 1 has been accounted for as a reverse takeover using the purchase method of accounting with Sine Energy Ltd. as the acquirer.

The aggregate purchase price was $16,208,000, comprised of 10,415,701 net post-acquisition common shares attributable to the former Lexxor shareholders and $766,000 in transaction costs. The fair value of the assets acquired and liabilities assumed on September 15, 2003 were as follows:

Net working capital deficiency	$ (4,991,000)
Property and equipment	52,800,000
Future tax asset	250,000
Bank indebtedness	(29,751,000)
Future site restoration and abandonment liability	(2,100,000)
	$ 16,208,000

The transaction costs of $766,000 were comprised of financial advisory fees, professional fees and costs associated with the relocation and downsizing of office space. The Corporation also incurred $491,000 in share issuance costs.

Lexxor Energy Inc. had the following commitments incurred with respect to their corporate maximization process which commenced in January 2003, and these amounts were paid by Lexxor Energy Inc. on closing of the Arrangement.

Severance payments to former officers and employees	$ 1,586,000
Financial advisory fees	1,010,400
Other	17,600
	$ 2,614,000

Under the terms of the Arrangement and as more fully described in Note 8, the Corporation also issued or reserved for issue an additional 2.4 million common shares for the repurchase of employee stock options and the potential exercise of the Arrangement Warrants. No value was assigned to the Arrangement Warrants at the time of the Arrangement.

The attributed values of the common shares issued under the Arrangement have been excluded from the consolidated statement of cash flows as non-cash transactions.

4. Deposits and Other

Deposits and other is comprised of deposits required under crown royalty regulations and operating lease obligations.

5. Property and Equipment

($)	Cost	Accumulated Depletion and Depreciation and Amortization	Net Book Value 2003	Net Book Value 2002
Petroleum and natural gas properties and equipment	73,127,728	3,334,000	69,793,728	6,369,748
Furniture and equipment	45,315	23,605	21,710	52,528
	73,173,043	3,357,605	69,815,438	6,422,276

Unproved properties and proprietary seismic data of $11,604,000 have been excluded from costs subject to depletion. During the year, the Corporation capitalized $576,500 of general and administrative expenditures related to exploration and development activities (2002 – $343,700).

Estimated future costs related to abandonment and site restoration of petroleum and natural gas properties and facilities are provided for over the life of reserves on a unit of production basis. As at December 31, 2003, the Corporation's estimated total future site restoration and abandonment costs to be accrued over the life of

the remaining proved reserves are $3,315,000. The Company currently recognizes an accrued liability of $2,204,800. During the year ended December 31, 2003, the Corporation charged $104,800 (2002 – nil) of future site restoration to operations.

6. Bank Indebtedness

Effective January 6, 2004, the Corporation agreed to a revised credit facility comprised of a $26 million Revolving Operating Demand Loan by way of prime rate loans, banker's acceptances and letters of credit. The credit facility bears interest at rates from prime to prime plus 1.5 percent with the rate payable being calculated based on the Debt to Cash Flow ratio for the preceding fiscal quarter. The rate for the fourth quarter ending December 31, 2003 was prime plus 1.25 percent. The facility is subject to a review on or before May 1, 2004.

The facility is secured by a $50 million debenture with a fixed and floating charge over all assets of the Corporation and a general assignment of book debts.

The balance as of December 31, 2003 is comprised of the following:

Revolving operating demand loan at prime plus 1.25%	$ 6,284,460
Bankers acceptance at weighted average rate of 4.175%	7,500,000
Letter of Guarantee	819,417
	$ 14,603,877

The Letter of Guarantee has been issued to the Monitor appointed under the Companies Creditor Arrangement Act for Liberty Oil & Gas Ltd., a former subsidiary of Lexxor Energy Inc. The Monitor is currently settling creditor claims and the Letter of Guarantee is periodically reduced as the claims are settled by the Corporation.

7. Income Taxes

The provision for capital taxes reflected in the consolidated statement of operations includes Large Corporation taxes, Saskatchewan Resource Surcharge and Saskatchewan Capital taxes.

Future income tax expense differs from that which would be expected from applying the combined effective Canadian federal and provincial tax rate of 34.83 percent (2002 – 42.12 percent) to loss before income taxes.

($)	2003	2002
Expected income tax recovery	242,915	174,745
Adjustment resulting from:		
Tax rate adjustment	88,104	8,160
Other	–	(12,721)
Non-deductible crown charges, net	(506,246)	(17,740)
Resource allowance	330,334	(53,740)
Recovery not recognized	(85,167)	–
Future income tax recovery	69,940	98,704

The components of the future income tax liability (asset) are as follows:

($)	2003	2002
Temporary differences related to property and equipment and future site restoration	3,189,471	820,589
Loss carry forwards	(2,759,800)	(180,368)
Share issue costs and financing fees	(678,022)	(46,138)
Future tax asset not recognized	248,351	–
	–	594,083

The liability for future income taxes has been eliminated by the current provision for future taxes and the future income tax asset acquired during the year (Note 3).

The Corporation has the following non-capital loss carry forwards:

Year of Expiry	Amount
2006	$ 26,612
2007	166,193
2008	4,514,134
2009	3,216,691
	$ 7,923,630

8. Share Capital

(a) Authorized

Unlimited number of Common Shares

Unlimited number of Preferred Shares, issuable in series

(b) Issued common shares	Number of Shares	Amount $
Balance September 15, 2003 (Note 8(e))	21,222,531	20,478,182
Shares exchanged under the Arrangement	9,815,483	20,478,182
Acquisition of Lexxor (Note 3)	10,415,701	15,442,019
Issued on settlement of Sine stock options	309,204	11,345
Issued for cash pursuant to private placement (Note 8(c))	3,500,000	11,072,500
Issued for cash on exercise of warrants (Note 8(d))	1,900,775	4,105,782
	25,941,163	51,109,828
Share issue costs	–	(1,228,146)
Balance December 31, 2003	25,941,163	49,881,682

(c) On October 9, 2003, the Corporation completed a private placement of 3,500,000 common shares for gross proceeds of $11,072,500. The private placement was comprised of 2,350,000 common shares at a price of $2.95 per share and 1,150,000 flow-through common shares at a price of $3.60 per share. Transaction costs were $737,000, including fees paid to the underwriters.

In accordance with the terms of the offering and pursuant to certain provisions of the Income Tax Act (Canada), the Corporation renounced, for income tax purposes, exploration expenditures of $4,140,000 to the holders of the flow-through common shares effective December 31, 2003. The company is required to incur the associated qualifying exploration expenditures by December 31, 2004.

(d) Arrangement warrants

Under the terms of the Arrangement, the Corporation issued 2,081,055 Arrangement Warrants to the Lexxor shareholders. Each warrant could be exchanged for one common share of the Corporation at $2.16 per common share until October 29, 2003. On October 29, 2003 the Corporation received proceeds of $4,105,614 and issued 1,900,747 common shares, representing 91.3 percent of the warrants. All remaining warrants expired unexercised.

(e) Continuity of issued shares – Sine – Pre-Acquisition	Number of Shares	Amount $
Common shares		
Balance, September 15, 2003 and December 31, 2002	500,030	286,930
Series 1 preferred shares		
Balance, December 31, 2002	6,725,001	6,725,001
Issued for cash	14,297,500	14,285,125
Acquired for cancellation	(300,000)	(300,000)
Balance, September 15, 2003	20,722,501	20,710,126
Series 1 special voting shares		
Balance, December 31, 2002	14,000,000	–
Cancelled during the period	(14,000,000)	–
Balance, September 15, 2003	–	–
Issue costs, net of future income taxes of $333,200	–	(518,874)
Balance, September 15, 2003	21,222,531	20,478,182

Pursuant to Subscription Agreements dated March 20, July 31 and August 15, 2003, the Corporation closed subscriptions for 14,000,000 Series 1 Preferred Shares for cash proceeds of $14,000,000 under an Equity Line of Credit Subscription Agreement dated December 21, 2001 (the "Agreement"). On closing, the Corporation cancelled 14,000,000 Series 1 Special Voting Shares and issued an equivalent number of Series 1 Preferred Shares. Pursuant to the terms of the Agreement, the Corporation paid advisory fees of $700,000.

On April 25, 2003, the Corporation acquired for cancellation 300,000 Series 1 Preferred Shares for total cash consideration of $300,000 from a former executive officer of the Corporation.

(f) Common share purchase warrants

The Corporation has warrants outstanding entitling the holders to purchase 495,248 common shares at $6.00 per share until expiry on July 23, 2004.

(g) Continuity of stock options

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)
Outstanding, December 31, 2002	1,670,000	1.00	
Granted during the period	905,000	1.00	
Cancelled during the period	(475,000)	(1.00)	
Converted to 309,204 common shares	(2,100,000)	(1.00)	
Outstanding, September 30, 2003	–		
Granted during the period	2,192,500	2.65	4.8
Cancelled during the period	(52,500)	2.68	4.8
Outstanding, December 31, 2003, unvested	2,140,000	2.65	4.8

At December 31, 2003, 140,000 stock options that have been issued cannot be exercised until certain regulatory conditions are satisfied.

(h) Stock option plan

On September 10, 2003, the shareholders approved a new stock option plan (the "Plan") for the Corporation. The Plan authorizes the Board to grant stock options to directors, officers, employees and consultants of the Corporation. The aggregate number of common shares reserved for issuance under the Plan is 2,000,000. The Plan also provides for options to be granted at the defined market price, and that the term of the option must be no more than five years. Stock options issued during the three months ended December 31, 2003 vest over a three-year period commencing on the first anniversary of, and expire five years after, the date of issue.

No amount of compensation expense has been recognized in the financial statements for stock options granted to directors, officers and employees. Had the Corporation charged the fair value of options granted after January 1, 2002 to earnings, after accounting for capitalization, the proforma loss and loss per share for 2003 would be:

($)	2003 As Reported	2003 Proforma
Loss	808,677	1,033,800
Loss per share, basic and diluted	0.06	0.07

For the comparative period in 2002, there was no material change to reported loss and loss per share.

The fair value of stock options granted during the three months ended December 31, 2003 was estimated using the Black-Scholes option pricing model and with the following assumptions: expected volatility (50 percent); risk-free interest rate (3.75 percent); expected life (5 years); and expected future dividends (nil). Stock options granted during the period had an estimated weighted-average fair value of $1.28 per share.

9. Weighted Average Shares Outstanding

Consistent with reverse takeover accounting and to reflect the share consolidation, the weighted average number of common shares issued and outstanding for the years ending December 31, 2003 and 2002 have been restated as follows:

	2003	2002
Basic and diluted	14,065,421	9,643,736

10. Commitments and Contingencies

(a) Flow-through shares

In connection with a flow-through common share private placement (Note 8(c)) completed in 2003, the Corporation is required to incur remaining qualifying exploration expenditures of $3.2 million during the year ended December 31, 2004.

(b) Commodity marketing arrangements

The Corporation has a price risk management program whereby the commodity price associated with a portion of its future production is fixed. The forward and futures contracts are subject to market risk from fluctuating commodity prices and exchange rates, however, gains and losses on the contracts are offset by changes in the value of the Corporation's production and recognized in income in the same period and category as the hedged item.

As at December 31, 2003, the Corporation had fixed the price applicable to future production as follows:

Effective Date	Expiry Date	Commodity/ Type of Contract	Quantity Hedged Per Day	Hedged Price U.S. per bbl
January 1, 2004	March 31, 2004	Oil swap	300 bbl	WTI $29.10
January 1, 2004	April 30, 2004	Oil swap	300 bbl	WTI $30.00
April 1, 2004	April 30, 2004	Oil swap	300 bbl	WTI $30.05
May 1, 2004	May 31, 2004	Oil swap	300 bbl	WTI $31.25
June 1, 2004	June 30, 2004	Oil swap	300 bbl	WTI $30.78

(c) Operating commitments

In order to ensure continued availability of, and access to, facilities and services to meet its operational requirements, the Corporation has entered into operating leases for office space and other property and equipment. Under contracts existing at December 31, 2003, future minimum amounts payable, excluding operating costs, are as follows:

2004	$ 412,000
2005	195,000
2006	63,000
	$ 670,000

(d) Dispute with industry partner

On August 8, 2003, a joint venture partner of the Corporation filed a statement of claim in the amount of $768,000 in respect of a dispute regarding working interest participation. A statement of defense has been filed and it is the opinion of management that this claim is without merit.

11. Subsequent Events

(a) Normal course issuer bid

On January 15, 2004, the Corporation received approval from the TSX to repurchase up to 1.4 million common shares at the market price at the time of acquisition over the next 12 months. No common shares have been purchased to March 16, 2004.

(b) Currency hedge program

Subsequent to December 31, 2003, the Corporation entered into foreign exchange contracts to hedge foreign currency fluctuations. The terms of the contracts are as follows:

Effective Date	Expiry Date	Commodity/ Type of Contract	Quantity Hedged Per Month	Hedged Price
March 1, 2004	March 31, 2005	Forward sale	$300,000 U.S.	$1.3221 U.S.
March 1, 2004	March 31, 2005	Forward sale	$300,000 U.S.	$1.3333 U.S.

12. Supplementary Information

Lexxor Energy Inc.
Consolidated and Condensed Statement of Operations
January 1, 2003 to September 15, 2003

Revenue	
Petroleum and natural gas sales, net of royalties	$ 15,328,499
Interest and other income	15,953
	15,344,452
Expenses	
Operating	6,283,141
General and administrative	2,301,065
Interest	801,754
Depletion, depreciation and amortization	7,487,800
	16,873,760
Loss before income taxes	1,529,308
Income taxes (recovered)	(646,716)
Loss for the period	$ 882,592

Lexxor Energy Inc.
Consolidated and Condensed Statement of Cash Flows
January 1, 2003 to September 15, 2003

Operating Activities	
Cash flow from operations	$ 5,357,692
Changes in non-cash working capital	1,105,862
	6,463,554
Financing Activities	
Increase in bank indebtedness	1,001,995
Issue of common shares, net of repurchases and share issue costs	89,339
	1,091,334
Investing Activities	
Net expenditures on property and equipment, including Liberty acquisition adjustments	(7,371,779)
Repayment of share purchase loans	62,900
Corporate transaction costs	(2,614,009)
Change in non-cash working capital	1,531,555
	(8,601,555)
Net Decrease In Cash	(1,046,667)
Cash and cash equivalents, December 31, 2002	1,046,667
Cash and cash equivalents, September 15, 2003	$ –

Corporate Information

Directors

Richard A.N. Bonnycastle [1] [2]

Robert Cook [1]

William T. (Bill) Davis

Roderick M. Myers [1] [2]

William H. Slavin [2]

[1] *Audit and Reserves Committee*

[2] *Compensation and Corporate Governance Committee*

Corporate Headquarters

Suite 1500, 255 - 5th Avenue SW

Calgary, Alberta T2P 3G6

Telephone: (403) 232-4800

Fax: (403) 232-4824

Website: www.findenergy.ca

Officers

William T. (Bill) Davis, *President & CEO*

Calgary, Alberta

Jeffrey P. Jongmans, *Vice President, Finance & CFO*

Calgary, Alberta

Douglas A. Barry, *Vice-President, Engineering & Operations*

Calgary, Alberta

Nicholas R. Wemyss, *Vice-President, Exploration*

Calgary, Alberta

Jay P. Reid, *Corporate Secretary*

Calgary, Alberta

Auditors

Collins Barrow Calgary LLP

Calgary, Alberta

Banker

National Bank of Canada

Calgary, Alberta

Evaluation Engineers

Gilbert Laustsen Jung Associates Ltd.

Calgary, Alberta

Legal Counsel

Burnett, Duckworth & Palmer

Calgary, Alberta

Registrar and Transfer Agent

Valiant Trust Company

510, 550 - 6th Avenue SW

Calgary, Alberta T2P 0S2

Telephone: (403) 233-2801

Toll Free: 1-866-313-1872

Fax: (403) 233-2847

Email: valiant@telusplanet.net

Stock Exchange Listing

Toronto Stock Exchange

Trading Symbol: FE

FIND ENERGY ltd.

2800, 144 – 4th AVE S.W.
CALGARY, AB T2P 3N4
T 403 232 4800 F 403 232 4824

Telephone: (403) 232-4800
Fax: (403) 232-4824
Website: www.findenergy.ca